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Memorandum for:

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MEMORANDUM

SUBJECT : Papandreu, Karamanlis, and the Greek Elections

1. Why did Prime Minister Papandreu decide not to support President Karamanlis for reelection?

[redacted] Papandreu's about-face was an improvised maneuver 25X1 designed to shore-up his party's leftwing and if possible to draw support away from the pro-Moscow Communist Party. Papandreu must have felt more vulnerable than indicated by opinion polls, which have generally given him the edge over his conservative opponent. We thus see the move as a sign of weakness rather than strength.

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-- [redacted] endorsing Karamanlis would jeopardize leftwing "grass-roots" support for the Socialists.

-- While trying to cover his left flank, Papandreu may have gambled that he could reassure centrist voters by proposing a candidate who is relatively well respected, despite being a political unknown. (Christos Sartzetakis, Papandreu's choice for President, is considered a liberal centrist and is not a member of the Socialist Party.)

-- He probably also calculated that this strategy would lay the groundwork for either a formal or informal post-election alliance with the Communists should he win only a plurality in the next Parliamentary election.

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- Alternatively, Papandreu may have figured that his election prospects were becoming increasingly poor and that if he were to lose the next election, his "principled stand" would at least ensure the survival of the Socialist Party and the support of the hard-core left. In short, he may have been convinced that failure to take such a stand -- coupled with a defeat at the polls -- could lead to fragmentation in his party.
- Finally, Papandreu almost certainly derived some satisfaction in dumping his old nemesis, Karamanlis. He may also have been concerned that Karamanlis' influence and authority would grow and his own diminish if the Socialists fail to secure a majority in the next election.
- While it is conceivable that Papandreu's decision was part of a long-term "game-plan" (the constitutional reforms, for example, almost certainly had been bandied about by the party leadership for some time), Papandreu is essentially an "improviser." Thus, we believe his decision was taken on the spur of the moment within the last week or so. 25X1

 We also agree with Embassy Athens that such a game-plan would require a degree of secrecy Greek politicians are incapable of.

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2. What effect will Papandreu's decision have on parliamentary elections?

If the Socialists can get Sartzetakis elected as President, Papandreu may postpone parliamentary elections until October -- to give the electorate time to absorb the shock. If Sartzetakis loses, parliamentary elections would be mandatory for May. The sooner the parliamentary elections are held, in our view, the greater the Conservatives' chances of beating Papandreu. In short, we think Papandreu's decision could turn out to be a tactical blunder that will cost him the parliamentary election.

- Parliamentary voting for President began this Sunday, and Sartzetakis -- with 178 votes -- fell far short of the 200 needed for election in the first and second rounds. The contest is almost certain to remain undecided until the third ballot on 29 March, when the Socialists will need only 180 votes to elect their candidate.

- While odds favor Sartzetakis by the third ballot -- assuming the combined support of the Socialists (165 votes), the Communists (12 votes), and a few independents -- the outcome is by no means certain. Balloting is secret, and the Conservatives, who control 112 votes, need only nine more to deadlock Parliament and force new parliamentary elections. [redacted] some Socialist 25X1 parliamentarians -- who generally are more moderate than the party stalwarts -- were well-disposed toward Karamanlis. A few may be tempted to "cross-over" and support the Conservatives, especially if Mitsotakis liberally promises post-election favors.
- Whether Papandreu is reelected Prime Minister will depend largely on his ability to keep the middle-of-the road voters he won in the last election -- roughly 10 percent of the electorate according to our calculations. These voters have generally viewed Karamanlis as a necessary counterweight to Papandreu. We think Karamanlis' departure, Socialist proposals to trim presidential powers (see below), and the possibility that Papandreu is aiming at an electoral coalition with the Communists will be enough to nudge many centrists back toward the Conservatives in the next election.
- According to conservative sources of Embassy Athens, Papandreu's treatment of Karamanlis will cost the Socialists from 5 to 8 percent of the center vote. Based on opinion polls and our reading of the various parties' fortunes, we think this percentage swing could give the Conservatives more than the 40-42 percent of the vote they would need in the next election to form a majority government under Greece's current electoral law.
- Papandreu's best hope is to delay general elections until October, trying in the interim to reassure his centrist voters that the departure of Karamanlis does not foreshadow radical changes. In our judgment, he faces a tough uphill battle even if he is able to pursue this option.

3. What will Karamanlis do now and what impact will his actions have on parliamentary elections?

There is little doubt that Papandreu's harsh treatment of Karamanlis will be a key issue in the next election. We doubt, however, that Karamanlis will play as active a role in the campaign as some political pundits in Greece have suggested.

- Papandreu has undoubtedly wounded Karamanlis' pride, but we think Karamanlis -- a central figure in Greek politics for over 20 years -- will consider it beneath his dignity to become too openly involved in campaigning.
- At the same time, Karamanlis is likely to oppose Papandreu behind-the-scenes, maintaining his statesmanlike posture but issuing occasional statements that signal his concern about recent political developments.

4. How significant are Papandreu's proposals to amend the constitution?

The constitutional reforms Papandreu submitted to Parliament this week would significantly limit presidential powers and make the office of President a ceremonial one. Specifically, the President could no longer at his own discretion dissolve Parliament and call national elections, veto legislation, or hold a referendum.

- In our view, Papandreu's prospects for amending the constitution are not good. In order to pass these amendments, the Socialists would need 180 votes in Parliament on two separate ballots held at least one month apart. (This assumes they are able to elect Sartzetakis as President and remain in power in the interim.) Even then, under present rules, it takes the approval of two successive Parliaments to amend the constitution.
- The Socialists have already withdrawn the most far-reaching and potentially dangerous proposal they had made. This would have greatly simplified the process of amending the constitution and opened the way to partisan abuse of the amendment process.

5. What has domestic reaction been to Papandreu's maneuvers and what further reactions can we expect?

Reaction ranged initially from euphoria on the left to a conviction on the right that Greece is facing one of its most serious crises. While Embassy Athens reported a few signs of "panic" (bank withdrawals and a jump in the black market drachma rate), the political atmosphere has remained relatively calm. At the moment, we do not expect widespread violence or disturbances, and we believe most Greeks are willing to signal their approval or disapproval of Papandreu's recent actions through the ballot box rather than on the streets of Athens.

- The military officer corps, which as a whole remains conservative despite personnel changes by the Socialist government over the past four years, almost certainly is disturbed by the departure of Karamanlis. Perhaps more than any other group, the military saw Karamanlis as insurance that Greece would remain oriented to the West and that there would be no radical shifts in domestic or foreign policy. Our Consul General in Thessaloniki reports that even normally pro-PASOK officers are unhappy with the way Karamanlis was treated.
- Papandreu himself is undoubtedly concerned about unrest in the military. The four Army Corps commanders, who were in Athens last weekend consulting on personnel matters, were ordered on Sunday to return immediately to their individual headquarters -- probably as a precaution against a military backlash to Papandreu's decisions.

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-- However, former Minister of Defense and conservative party leader Averof -- who remains well-connected in military circles -- told US Embassy officials that he had no indication of significant unrest in the officer corps.

-- [redacted] the Conservatives are generally pleased with developments insofar as they have provided the party with an election issue par excellence. So far, opposition leader Mitsotakis has acted in a statesmanlike manner. According to Embassy Athens, Mitsotakis has asked his supporters not to mobilize or demonstrate in reaction to recent events and while balloting for President is taking place.

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-- Nonetheless, the Communists have announced their support of Sartzetakis' nomination. They also are likely to support Papandreu's proposals for constitutional reform. While their leverage on Papandreu may be limited at present -- as some in the Socialist Party have suggested to US officials -- their potential for influence could grow during the coming parliamentary election campaign. Having effectively ditched the center, Papandreu may find it necessary to curry at least tacit Communist support after the election.

-- While we think it unlikely, it is not inconceivable that the radical right could attempt a move against the government within the next several months. Extreme rightists almost certainly view recent events as an opportunity to gain the support of those in the military and security services who may believe Papandreu is working to establish a one-party state. On balance, though, we think that any attempt to take extra-legal action would fail, and that a failed attempt would redound to Papandreu's benefit by earning him a large sympathy vote.

6. What are the implications of Papandreu's recent announcements for the US?

Papandreu almost certainly is nervous about US reactions. Government officials are using a number of channels -- the press, direct talks with US officials, and official pronouncements -- to convince Washington that changes in Greece will not affect foreign policy. At the same time, Papandreu will be looking desperately for ways to rally public support behind him -- particularly on issues such as Turkey and Cyprus where national passions run high -- and the US could easily become a scapegoat. There are a number of events occurring over the next several months that Papandreu could attempt to use to rally support.

-- The Turks have launched a diplomatic campaign in Western capitals to limit Greece's participation in NATO. Papandreu will use any publicity about this to play upon public perceptions that NATO or the US is siding with Turkey and against Greece.

- Proposed US aid figures to Greece and Turkey have been submitted to Congress and may come up for discussion in the appropriate committees this summer. Papandreu will look closely at official statements and the juggling of aid figures as the bill progresses for signs that the US is tilting toward Turkey.
- The government has already reacted negatively to references about US contingency planning for the dismantling of military bases in Greece. Speculation in the Turkish press that Turkey might be willing to accept the bases almost certainly would be twisted by Papandreu to serve his purposes.
- A deterioration of the situation in Cyprus could play into Papandreu's hands. Turkish Cypriots are set to vote on a new constitution at the end of this month and are likely to hold presidential elections in April and parliamentary elections in June. The popular Greek perception of Cyprus is such that Papandreu could easily portray these state-building measures as efforts tolerated by the US and thus part of a general tilt toward Turkey.
- Finally, Prime Minister Ozal is due for a visit to Washington in April. Turkish papers claim he will raise Greek-Turkish issues during his visit. Athens will be closely following official coverage of the visit and is likely to seize on any negative press commentary about Greece.

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